

**TOWNSHIP OF WARNER**  
**ANTRIM COUNTY, MICHIGAN**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MARCH 31, 2008**

### **Township Officials**

Supervisor	Matthew Dobrzelewski
Clerk	Sally Skop
Treasurer	Mary Kucharek

### **Trustees**

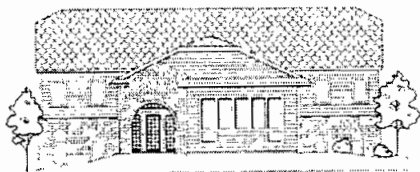
James Nowak

Robert Herman

## **Warner Township**

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Keskine, Cook, Miller & Alexander, LLP  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Jeffrey B. Cook, CPA  
Richard W. Miller, CPA  
Curt A. Reppuhn, CPA

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Terry J. Distel, CPA (Ret.)  
Joseph G. Okrei, CPA (Ret.)  
Walter J. Keskine, CPA (Ret.)  
Ronald D. Alexander, CPA (Ret.)

### Independent Auditor's Report

November 11, 2008

To the Township Board  
Warner Township  
Antrim County, Michigan

We have audited the accompanying financial statements of the governmental activities and the major funds of the Township of Warner, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities and the major funds of the Township of Warner as of March 31, 2008, and the respective changes in financial position thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2-4 and budgetary comparison information on pages 20-23 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*Keskine, Cook, Miller & Alexander LLP*  
Keskine, Cook, Miller & Alexander, LLP

# Warner Township

ANTRIM COUNTY  
ELMIRA, MICHIGAN 49730

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Warner Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2008. Please read it in conjunction with the financial statements that immediately follow this section.

### Financial Highlights

Our financial status improved over the last year.

Total assets of the Township as of March 31, 2008 were approximately \$333,000, of which approximately \$81,000 represents capital assets.

Net assets of the Township as of March 31, 2008 were approximately \$333,000, of which approximately \$81,000 was invested in capital assets, approximately \$120,000 were restricted for road maintenance, and approximately \$131,000 were unrestricted.

Overall revenues were approximately \$125,000, of which approximately \$2,000 is classified as program revenues, and approximately \$123,000 is classified as general revenues (consisting primarily of state-shared revenues and property taxes). Total revenues is consistent with the year ended March 31, 2007.

Overall expenses totaled approximately \$72,000, which is significantly less than the year ended March 31, 2007. The reduction of expenses is largely attributable to the expenses associated with remodeling the township hall which occurred during the year ended March 31, 2007. The activities of the Township have remained the same.

### Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities. The remaining statements are fund financial statements, which focus on the detailed activities of the Township's funds.

## **Overview of the Financial Statements (Continued)**

The notes to the financial statements explain some of the information in the statements and provide more detailed data. Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

### **Government-Wide Statements**

The government-wide statements report information about the Township as a whole using accounting methods used by private companies. The Statement of Net Assets includes all of the Township's assets and liabilities. The Statement of Activities records all of the current year revenues and expenses regardless of when received or paid.

The two government-wide statements report net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities and this is one method to measure the Township's financial health or position.

Over time, increases or decreases in an entity's net assets is an indicator of whether financial position is improving or deteriorating.

To assess overall health of an entity, you may also have to consider tax base changes and other various economic conditions.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the Township's funds. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following kinds of funds:

**Governmental Funds:** All of the Township's activities are classified in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that differences between the government-wide statements and the fund statements are disclosed to explain the difference between them.

*General Fund* – this fund accounts for all activities of the Township not required to be reported in a separate fund. Revenues consist primarily of property taxes and state shared revenues. Expenditures consist of general government activities, cemetery, building and grounds and street lights.

*Roads Fund* – this fund accounts for the road millage and road repair and maintenance expenditures.

### **Financial Analysis of the Township as a Whole**

**Net Assets** - the Township's net assets increased by \$53,368 during the year ended March 31, 2008 to total \$333,033 at year-end.

### **Capital Asset and Long-Term Debt Activity**

The Township purchased \$3,785 of additional capital assets in the year ended March 31, 2008. Total capital assets owned by the Township totals approximately \$100,000 of which approximately \$19,000 has been depreciated resulting in the net capital assets of approximately \$81,000.

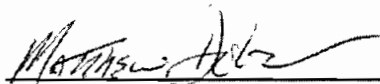
The Township has no outstanding long-term debt.

### **Related Organizations**

The Township is affiliated with the Elmira-Warner Fire Authority and the Township Ambulance Authority. Addresses and other additional information about the State's component units are presented in the notes to the financial statements.

### **Contacting Township Management**

This financial report is designed to provide our taxpayers, creditors and investors with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have questions concerning this report, please contact any member of the Township Board at 2434 Ray Street, Elmira, MI 49730.



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Matthew Dobrzelewski, Supervisor

**TOWNSHIP OF WARNER  
STATEMENT OF NET ASSETS  
MARCH 31, 2008**

	<b>Assets</b>	<b>Governmental Activities</b>
<b>Current Assets:</b>		
Cash and investments		\$ 247,151
Delinquent taxes receivable		4,474
Other receivables		300
Total Current Assets		<u>251,925</u>
<b>Non-Current Assets:</b>		
Land		6,563
Capital assets, net of depreciation		74,834
Total Non-Current Assets		<u>81,397</u>
<b>Total Assets</b>		<u>333,322</u>
	<b>Liabilities</b>	
Accrued liabilities		289
Due to other governments		-
Total liabilities		<u>289</u>
	<b>Net assets</b>	
Investment in capital assets		81,397
Restricted - roads		120,223
Unrestricted		131,413
Total net assets		<u><u>\$ 333,033</u></u>

See accompanying notes to financial statements.



**TOWNSHIP OF WARNER  
STATEMENT OF ACTIVITIES  
YEAR ENDED MARCH 31, 2008**

	P r o g r a m   R e v e n u e s				Net Revenues / (Expenses) & Change in Net Assets
	Expenses	Charges For Services	Operating Grants & Contributions	Capital Grants & Contributions	
Governmental activities:					
General government	\$ 48,320	\$ 45	\$ 1,250	\$ -	\$ (47,025)
Cemetery	1,420	901	-	-	(519)
Street lighting	1,142	-	-	-	(1,142)
Road repair and maintenance	20,900	-	-	-	(20,900)
Total Governmental Activities	71,782	946	1,250	-	(69,586)
General Revenues:					
Property taxes, levied for:					
General operating					24,659
Roads					55,763
Property tax administration fee					6,554
State shared revenue (not restricted to specific purpose)					26,764
Interest income					6,875
Natural gas royalty revenue					607
Miscellaneous					1,732
Total general revenues					122,954
Change in net assets					53,368
Net assets - beginning of year					279,665
Net assets - end of year					\$ 333,033

See accompanying notes to financial statements.

**TOWNSHIP OF WARNER  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
MARCH 31, 2008**

	<u>General</u>	<u>Roads</u>	<u>Total</u>
<b>Assets</b>			
Cash and investments	\$ 127,904	\$ 119,247	\$ 247,151
Delinquent taxes receivable	1,359	3,115	4,474
Due from other funds	2,139	-	2,139
Due from other funds - Agency	300	-	300
 Total assets	 <u>\$ 131,702</u>	 <u>\$ 122,362</u>	 <u>\$ 254,064</u>
 <b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accrued liabilities	\$ 289	\$ -	\$ 289
Due to other funds	-	2,139	2,139
 <b>Fund Balances:</b>			
Unreserved	131,413	120,223	251,636
 Total liabilities and fund balances	 <u>\$ 131,702</u>	 <u>\$ 122,362</u>	 <u>\$ 254,064</u>

See accompanying notes to financial statements.

**TOWNSHIP OF WARNER  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
MARCH 31, 2008**

<b>Total Fund Balances - Government Funds (Page 7)</b>	<b>\$ 251,636</b>
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Amounts reported for governmental activities in the Statement of  
Net Assets (page 5) are different because:

Capital assets used in governmental activities are not financial  
resources and therefore are not used in the funds

81,397
<hr/>

<b>Total Net Assets - Governmental Activities (Page 5)</b>	<b>\$ 333,033</b>
	<hr/> <hr/>

See accompanying notes to financial statements.

**TOWNSHIP OF WARNER  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
YEAR ENDED MARCH 31, 2008**

	<u>General</u>	<u>Roads</u>	<u>Total</u>
<b>Revenues:</b>			
Taxes and assessments	\$ 19,121	\$ 56,252	\$ 75,373
State revenue sharing	32,382	-	32,382
Charges for services	7,804	-	7,804
Interest	6,875	-	6,875
Other	2,716	-	2,716
	<u>68,898</u>	<u>56,252</u>	<u>125,150</u>
<b>Total revenues</b>	<b>68,898</b>	<b>56,252</b>	<b>125,150</b>
<b>Expenditures:</b>			
Current:			
General government	45,280	-	45,280
Cemetery	1,420	-	1,420
Street lights	1,142	-	1,142
Public works	-	20,900	20,900
Capital outlay	3,785	-	3,785
	<u>51,627</u>	<u>20,900</u>	<u>72,527</u>
<b>Total expenditures</b>	<b>51,627</b>	<b>20,900</b>	<b>72,527</b>
<b>Excess of revenues over expenditures</b>	<b>17,271</b>	<b>35,352</b>	<b>52,623</b>
<b>Fund balance - April 1, 2007</b>	<b>114,142</b>	<b>84,871</b>	<b>199,013</b>
<b>Fund balance - March 31, 2008</b>	<b><u>\$ 131,413</u></b>	<b><u>\$ 120,223</u></b>	<b><u>\$ 251,636</u></b>

See accompanying notes to financial statements.

**TOWNSHIP OF WARNER  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
TO THE STATEMENT OF ACTIVITIES  
MARCH 31, 2008**

<b>Net Change in Fund Balances - Total Governmental Funds (Page 9)</b>	<b>\$ 52,623</b>
Amounts reported for governmental activities in the Statement of Activities (page 6) are different because:	
Governmental funds report capital outlay as expenditures; however, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives.	3,785
Depreciation expense is recorded in the Statement of Activities but not the governmental fund financial statements.	<u>(3,040)</u>
<b>Change in Net Assets of Governmental Activities (Page 6)</b>	<b>\$ <u>53,368</u></b>

See accompanying notes to financial statements.

**TOWNSHIP OF WARNER  
STATEMENT OF ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
MARCH 31, 2008**

	<b>Assets</b>	
Cash		\$ 300
		<u>          </u>
	<b>Liabilities</b>	
Due to general fund		\$ 300
		<u>          </u>

See accompanying notes to financial statements.

**TOWNSHIP OF WARNER  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2008**

**NOTE 1: ENTITY**

The Township of Warner is a general law township of the State of Michigan located in Antrim County, Michigan. It operates under an elected board and provides service to its residents in many areas including law enforcement, community enrichment, and human services.

The criteria established for the reporting entity's financial statements include oversight responsibility, scope of public service and special financing relationships. On this basis, the financial statements include all of the governmental functions of Warner Township.

**Related Organizations**

The Township is affiliated with two organizations, the Elmira-Warner Fire Authority and the Township Ambulance Authority. Under the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity", as amended by GASB No. 39 "Determining Whether Certain Organizations are Component Units", the activities of these organizations are not recorded in the Township's financial statements and are audited under separate cover.

***Elmira-Warner Fire Authority***

The Authority was created October 1, 2002 by Elmira and Warner Townships under Public Act 57 of 1988, as amended, for the purpose of furnishing fire/rescue services in the Townships. The Authority operates under a separate 5-member board. Audited financial statements can be obtained at 2035 Mt. Jack Road, Elmira, MI 49730.

***Township Ambulance Authority***

The Authority was created November 1, 2002 by nine area Townships (including Warner Township) under Public Act 57 of 1988, as amended. The Authority was created to provide a stable and reliable ambulance service to the residents and visitors within the respective Townships. The Authority operates under a separate 9-member board. Audited financial statements are located at P.O. Box 332, Mancelona, MI 49659.

**TOWNSHIP OF WARNER  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2008**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**INTRODUCTION**

The accounting and reporting framework and the more significant accounting principles and practices of Warner Township are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations including required disclosures of the Township's financial activities.

The accounting policies of Warner Township conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION**

***Government-Wide Financial Statements***

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Township as a whole, excluding fiduciary activities such as tax collection activities.

Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Township general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. At this time, the Township has no business-type activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with functional programs. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Township's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not included with program revenues are reported as general revenues.

***Fund Financial Statements***

Fund financial statements are provided for governmental and fiduciary funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds. The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.



**TOWNSHIP OF WARNER  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED MARCH 31, 2008**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**FUND TYPES AND MAJOR FUNDS**

***Governmental Funds***

The Township reports the following major governmental funds:

*General Fund* – This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants and other inter-governmental revenues.

*Roads Fund* – This fund is used to account for the road millage dollars and the expenditure of those dollars on road repair and maintenance costs.

***Other Funds***

*Fiduciary Funds* - These funds are used to account for assets held in trust or as an agent for others. Tax collection activities are recorded in this category. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No. 34.

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The financial statements of the Township are prepared in accordance with generally accepted accounting principles (GAAP). The Township applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Township does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

***Government-Wide Financial Statements***

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Township departments.

**TOWNSHIP OF WARNER  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED MARCH 31, 2008**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

***Government-Wide Financial Statements (Continued)***

Fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

***Governmental Fund Financial Statements***

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available.

Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Township considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Property tax revenues are recognized as follows:

Properties are assessed as of December 31 and the related property taxes are levied on December 1 of the following year. These taxes are due on February 15; uncollected amounts are subsequently added to the county delinquent tax rolls. A county revolving fund normally pays the balance of the Township's tax levy by May 31 of each year. In accordance with GASB 33 "Accounting and Financial Reporting for Nonexchange Transactions", the Township records the property tax revenue when it becomes an enforceable legal claim for the Township. Therefore, all taxes levied on December 1, 2007, are recorded as revenue in the current year. The Township's taxable value for the 2007 tax year totaled \$19,874,574.

The tax rates for the year ended March 31, 2008, were as follows:

<b>Purpose</b>	<b>Rate/Assessed Valuation</b>
General	0.9851 mills per \$1,000
Roads	2.9136 mills per \$1,000

**TOWNSHIP OF WARNER  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED MARCH 31, 2008**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**BUDGET**

Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional and activity basis. The approved budgets of the Township for these budgetary funds were adopted on an activity level. Budgets as adopted end on March 31 of each year. There are no carryover budget items.

For the year ended March 31, 2008, the Township experienced no expenditures in excess of its budget.

**CAPITAL ASSETS AND DEPRECIATION**

The Township's property, plant, and equipment, with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The Township generally capitalizes assets with historical cost of \$1,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	25 – 40
Land Improvements	10 – 20
Machinery and equipment	5 – 10
Vehicles	5 – 10

Land and construction in progress are not depreciated.

With respect to asset improvements, costs over \$1,000 should be capitalized if:

1. The estimated life of the asset is extended by more than 25%, or
2. The cost results in an increase in the capacity of the asset, or
3. The efficiency of the asset is increased by more than 10%, or
4. Significantly changes the character of the asset, or
5. Other wise, the cost should be expensed as repair and maintenance.

For information describing capital assets, see Note 4.

**TOWNSHIP OF WARNER  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED MARCH 31, 2008**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**USE OF ESTIMATES**

The financial statements have been prepared in conformity with generally accepted accounting principles as applicable to governments and, as such, include amounts based on informed estimates and judgements of management with consideration given to materiality. Actual results could differ from those estimates.

**NOTE 3: CASH AND INVESTMENTS**

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds and investment pools composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township has designated one bank for the deposit of its funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs.

Warner Township's deposits and investment policies are in accordance with statutory authority.

As of March 31, 2008, the deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and investments	<u>\$ 247,151</u>	<u>\$ 300</u>	<u>\$ 247,451</u>

The Township's cash and investments consist entirely of bank deposits as follows:

Bank deposits - checking and savings accounts	\$ 181,122
Certificates of deposit	<u>66,329</u>
Total	<u>\$ 247,451</u>

**TOWNSHIP OF WARNER**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED MARCH 31, 2008**

**NOTE 3: CASH AND INVESTMENTS (CONTINUED)**

**DEPOSITS**

The bank balance of the Township's deposits is \$251,305 of which \$101,625 is covered by federal depository insurance. The remainder was uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated level are used as depositories.

**NOTE 4: CAPITAL ASSETS**

Capital asset activity of the Township's activities as of March 31, 2008 were as follows:

<b>Governmental Activities</b>	<b>Balance April 1, 2007</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance March 31, 2008</b>
Capital assets not being depreciated:				
Land	\$ 6,563	\$ -	\$ -	\$ 6,563
Capital assets being depreciated:				
Building	89,328	-	-	89,328
Equipment	1,009	3,785	-	4,794
Subtotal	90,337	3,785	-	94,122
Accumulated depreciation				
Building	15,591	1,787	-	17,378
Equipment	657	1,253	-	1,910
Subtotal	16,248	3,040	-	19,288
Net capital assets being depreciated	74,089	745	-	74,834
Net capital assets	<u>\$ 80,652</u>	<u>\$ 745</u>	<u>\$ -</u>	<u>\$ 81,397</u>

Depreciation expense was charged to functions of the Township as follows:

***Governmental Activities***

Township administration	\$ 1,787
Building and grounds	\$ 1,253

**TOWNSHIP OF WARNER  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED MARCH 31, 2008**

**NOTE 5: INTERFUND RECEIVABLES AND PAYABLES**

Due From/To Other Funds consist of the following at March 31, 2008:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Roads	\$ 2,139
General	Fiduciary	300
		<u>\$ 2,439</u>

The \$2,139 due to in the road fund is the result of a tax tribunal adjustment. The due to amount reflects the amount the tax revenue was reduced by, which is owed to the general fund. The \$300 due to in the fiduciary fund is kept in the tax account to maintain \$300 bank balance.

**NOTE 6: PENSION PLAN**

The Township of Warner does not contribute to a pension plan.

**NOTE 7: CONTINGENCIES**

**INSURANCE**

The Township is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; error and omission; injuries to employees; and natural disasters.

The Township participates in the Michigan Township Participating plan, a self insured group. The pool is considered a public entity risk pool. The Township pays annual premiums to the pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims for each occurrence with the overall maximum coverage varying depending on the specific type of coverage of reinsurance. The Township has not been informed of any special assessments being required. There were no significant changes in coverage.

**TOWNSHIP OF WARNER**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED MARCH 31, 2008**

	<b>Original Budget</b>	<b>Final Amended Budget</b>	<b>Actual</b>	<b>Variance From Final Amended Budget</b>
<b>Revenues:</b>				
Property taxes	\$ 27,000	\$ 27,000	\$ 19,121	\$ (7,879)
State-shared revenue	18,153	18,153	26,764	8,611
Swamp tax	5,000	5,000	5,618	618
Property tax administration fee	-	-	6,554	6,554
Land division fees	-	-	45	45
Interest income	2,400	2,400	6,875	4,475
Other	1,000	1,000	3,921	2,921
<b>Total revenues</b>	<b>53,553</b>	<b>53,553</b>	<b>68,898</b>	<b>15,345</b>
<b>Expenditures:</b>				
<b>General government</b>				
<b>Township Board:</b>				
Salaries and fringes	2,250	2,250	3,518	(1,268)
Professional services	5,000	5,000	3,978	1,022
Insurance	4,500	4,500	3,388	1,112
Printing and publishing	100	100	-	100
Supplies	1,200	1,200	1,118	82
Dues	1,000	1,000	539	461
Miscellaneous	2,700	2,700	1,270	1,430
<b>Total Board</b>	<b>16,750</b>	<b>16,750</b>	<b>13,811</b>	<b>2,939</b>
<b>Township Supervisor:</b>				
Salaries and fringes	8,050	8,050	6,972	1,078
Travel and communications	350	350	87	263
Office supplies and miscellaneous	1,100	1,100	-	1,100
<b>Total Supervisor</b>	<b>9,500</b>	<b>9,500</b>	<b>7,059</b>	<b>2,441</b>
<b>Elections:</b>				
Salaries and fringes	1,500	1,500	705	795
Supplies	100	100	72	28
<b>Total Elections</b>	<b>1,600</b>	<b>1,600</b>	<b>777</b>	<b>823</b>

**TOWNSHIP OF WARNER**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED MARCH 31, 2008**

	<b>Original Budget</b>	<b>Final Amended Budget</b>	<b>Actual</b>	<b>Variance From Final Amended Budget</b>
<b>Township Assessor:</b>				
Salaries and fringes	9,500	9,500	4,867	4,633
Office supplies	400	400	119	281
Travel and communication	400	400	-	400
Miscellaneous	500	500	30	470
<b>Total Assessor</b>	<b>10,800</b>	<b>10,800</b>	<b>5,016</b>	<b>5,784</b>
<b>Township Clerk:</b>				
Salaries	8,100	8,100	7,675	425
Office supplies	300	300	167	133
Travel and communication	300	300	121	179
Miscellaneous	800	800	27	773
<b>Total Clerk</b>	<b>9,500</b>	<b>9,500</b>	<b>7,990</b>	<b>1,510</b>
<b>Board of Review:</b>				
Salaries and fringes	1,100	1,100	-	1,100
Office supplies	300	300	65	235
<b>Total Board of Review</b>	<b>1,400</b>	<b>1,400</b>	<b>65</b>	<b>1,335</b>
<b>Township Treasurer:</b>				
Salaries and fringes	9,900	9,900	8,898	1,002
Office supplies	6,300	6,300	867	5,433
Travel and communication	700	700	500	200
<b>Total Treasurer</b>	<b>16,900</b>	<b>16,900</b>	<b>10,265</b>	<b>6,635</b>
<b>Building and grounds:</b>				
Salaries	300	300	105	195
Utilities and maintenance	10,000	10,000	192	9,808
<b>Total building and grounds</b>	<b>10,300</b>	<b>10,300</b>	<b>297</b>	<b>10,003</b>
<b>Total general government</b>	<b>76,750</b>	<b>76,750</b>	<b>45,280</b>	<b>31,470</b>

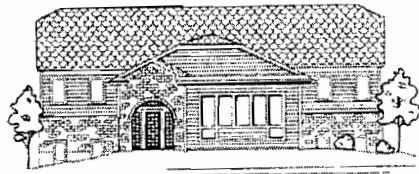


**TOWNSHIP OF WARNER  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED MARCH 31, 2008**

	<b>Original Budget</b>	<b>Final Amended Budget</b>	<b>Actual</b>	<b>Variance From Final Amended Budget</b>
<b>Cemetery</b>	2,000	2,000	1,420	580
<b>Street lights</b>	2,000	2,000	1,142	858
<b>Jordan river watershed</b>	343	343	-	343
<b>Total expenditures</b>	<u>81,093</u>	<u>81,093</u>	<u>47,842</u>	<u>33,251</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(27,540)	(27,540)	21,056	48,596
<b>Fund balance - April 1, 2007</b>	<u>109,222</u>	<u>109,222</u>	<u>114,142</u>	<u>4,920</u>
<b>Fund balance - March 31, 2008</b>	<u><u>\$ 81,682</u></u>	<u><u>\$ 81,682</u></u>	<u><u>\$ 135,198</u></u>	<u><u>\$ 53,516</u></u>

**TOWNSHIP OF WARNER  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
ROADS FUND  
YEAR ENDED MARCH 31, 2008**

	<b>Original Budget</b>	<b>Final Amended Budget</b>	<b>Actual</b>	<b>Variance From Final Amended Budget</b>
<b>Revenues -</b>				
Taxes and assessments	\$ 45,000	\$ 45,000	\$ 56,252	\$ 11,252
<b>Expenditures -</b>				
Road repair and maintenance	39,676	39,676	20,900	18,776
Excess of revenue over expenditures	5,324	5,324	35,352	30,028
<b>Fund Balance - April 1, 2007</b>	84,871	84,871	84,871	-
<b>Fund Balance - March 31, 2008</b>	<u>\$ 90,195</u>	<u>\$ 90,195</u>	<u>\$ 120,223</u>	<u>\$ 30,028</u>



**Keskin, Cook, Miller & Alexander, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Jeffrey B. Cook, CPA  
Richard W. Miller, CPA  
Curt A. Reppuhn, CPA

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Terry J. Distel, CPA (Ret.)  
Joseph G. Okrei, CPA (Ret.)  
Walter J. Keskin, CPA (Ret.)  
Ronald D. Alexander, CPA (Ret.)

November 11, 2008

To the Township Board  
Warner Township  
Antrim County, MI

We have audited the financial statements of the governmental activities and the major fund of the Township of Warner (the Township) for the year ended March 31, 2008, and have issued our report thereon dated November 11, 2008. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated May 16, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

**Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters on May 16, 2008.

**Significant Audit Findings**

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Township are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of accumulated depreciation is based on the estimated useful life of the assets. We evaluated the key factors and assumptions used to develop the useful life in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of the Township's Measurement Focus and Basis of Accounting policy in Note 2 to the financial statements. We evaluated standard governmental accounting policies and procedures in determining the adequacy of the disclosure from a neutral, consistent and clear perspective for the end user.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 11, 2008.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Segregation of Duties

A properly designed system of internal control segregates the accounting responsibilities from employees who have access to physical assets such as cash, investments and payroll, from authorization and approval of transactions and account reconciliations. The small size of the Township's staff precludes a complete segregation of duties resulting in more than a remote risk that material misstatements could occur and not be detected during normal activities.

Preparation of Financial Statements

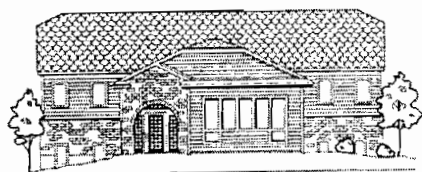
The definition of a significant deficiency includes any condition that adversely affects the ability to report financial data in accordance with generally accepted accounting principles (GAAP). As a matter of convenience, the Township has always relied upon its auditors to prepare financial statements and related notes and supplemental schedules for external reporting in accordance with GAAP. As a consequence, the Township has not developed the tools and resources necessary to enable its employees to prepare reports in conformity with GAAP in the normal course of performing their assigned functions. The Township has committed the resources necessary to meet its internal reporting needs. In this regard, it is not unlike many other Governmental Units of its size.

This communication is intended solely for the information and use of management, the Township of Warner's Board of Directors and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

*Keskine, Cook, Miller & Alexander LLP*

**Keskine, Cook, Miller & Alexander LLP**



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November 11, 2008

To the Township Board  
Warner Township  
Antrim County, MI

In planning and performing our audit of the financial statements of the governmental activities and the major fund of the Township of Warner (the Township) as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

**Segregation of Duties**

A properly designed system of internal control segregates the accounting responsibilities from employees who have access to physical assets such as cash, investments and payroll, from authorization and approval of transactions and account reconciliations. The small size of the Township's staff precludes a complete segregation of duties resulting in more than a remote risk that material misstatements could occur and not be detected during normal activities.

**Preparation of Financial Statements**

The above definition of a significant deficiency includes any condition that adversely affects the ability to report financial data in accordance with generally accepted accounting principles ("GAAP"). As a matter of convenience, the Township has always relied upon its auditors to prepare financial statements and related notes and supplemental schedules for external reporting in accordance with GAAP. As a consequence, the Township has not developed the tools and resources necessary to enable its employees to prepare reports in conformity with GAAP in the normal course of performing their assigned functions. The Township has committed the resources necessary to meet its internal reporting needs. In this regard, it is not unlike many other Governmental Units of its size.

This communication is intended solely for the information and use of management, the Township of Warner's Board of Directors and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

*Keskine, Cook, Miller & Alexander LLP*

**Keskine, Cook, Miller & Alexander LLP**